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City Stores Company Annual Report 1974

Business of the Company

The Company is engaged in the operation of retail stores consisting of department stores, women's specialty stores and furniture and home furnishings stores. As of April 1, 1975, these total 150 stores in 18 states and the District of Columbia comprising the following stores names, managements and areas of operation:

Department Stores — 39 stores in 7 states

Lit Brothers

Stanley E. Abelson, President

— 11 stores, in Philadelphia metropolitan area, eastern Pennsylvania and southern New Jersey

Maison Blanche

Isidore Newman, II

*Chairman of the Board
Robert I. Sonfield, President*

— 8 stores, in New Orleans metropolitan area and Baton Rouge, Louisiana

Richards

Herbert A. Leeds, President

— 8 stores, in Miami metropolitan area, Fort Lauderdale, West Palm Beach and Hollywood, Florida

Loveman's

Clifford D. Hoehne, President

— 5 stores, in Birmingham metropolitan area, Montgomery and Huntsville, Alabama

B. Lowenstein's

Clifford D. Hoehne, Chairman

Louis P. Gorglione, President

— 4 stores, in the Memphis metropolitan area, Tennessee

Hearn's

Gwilym R. Thomas, President

— 1 store in the Bronx, New York

R. H. White

Lawrence Moore, President

— 2 stores, in Worcester and Leominster, Massachusetts

Women's Specialty Stores — 67 Stores in 13 states

Franklin Simon

Morton Siegenfeld, President

— states of Connecticut, Georgia, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee

Furniture and Home Furnishings Stores — 44 stores in 11 states

W. & J. Sloane, Inc.

C. George Scala, President

— 42 stores in California, Connecticut, Georgia, Maryland, New Jersey, New York, Pennsylvania, Texas, Virginia and District of Columbia

Compass Warehouse & Furniture Store

Louis A. Rippner, President

— 2 stores in metropolitan New Orleans area, Louisiana

Highlights

	52 Weeks Ended February 1, 1975	52 Weeks Ended February 2, 1974
OPERATIONS		
Sales	\$374,085,000	\$373,267,000
Cost of goods sold, buying and occupancy expenses (exclusive of depreciation and amortization of property and equipment) ..	274,065,000	269,360,000
Depreciation and amortization of property and equipment	5,487,000	5,474,000
Interest and debt expense	8,544,000	6,348,000
(Loss) before items shown below	(11,305,000)	(805,000)
Federal income tax credit	(5,700,000)	(523,000)
(Loss) before extraordinary credit	(5,605,000)	(282,000)
Extraordinary credit, net of taxes	—	349,000
Net income or (loss)	(5,605,000)	67,000
Per share of common stock:		
(Loss) before extraordinary credit	(1.72)	(.09)
Extraordinary credit	—	.11
Net income or (loss)	(1.72)	.02
FINANCIAL		
Working funds*		
City Stores Company and Retail Subsidiaries	52,047,000	62,212,000
Working funds ratio	2.5	2.4
City Stores Company and Subsidiaries	110,986,000	69,356,000
Working funds ratio	3.8	1.7
Accounts receivable—customers	81,233,000	81,155,000
Proceeds from financing of receivables—City Stores Company and Retail Subsidiaries	(63,440,000)	(57,746,000)
Inventories	51,429,000	58,947,000
Property and equipment—net		
City Stores Company and Retail Subsidiaries	50,242,000	50,925,000
City Stores Company and Subsidiaries	68,049,000	63,593,000
Loans payable to banks under revolving credit agreement—City Stores Company and Subsidiaries	51,500,000	—
Other long term debt		
City Stores Company and Retail Subsidiaries	29,941,000	29,870,000
City Stores Company and Subsidiaries	44,162,000	39,237,000
Ownership		
Common stock equity	76,847,000	82,478,000
Common stock equity per share	23.55	25.27
Number of shares outstanding		
Common stock—at end of year	3,263,469	3,263,469

*Working funds consist of current assets less current liabilities exclusive of deferred tax credits, principally applicable to installment sales.

To our Stockholders:

Flat sales for the fiscal year ended February 1, 1975, combined with sharp increases in interest and operating expenses and higher markdowns and the impact of inflation on inventory values, resulted in an unsatisfactory year for your Company. Despite this result, the Company continues to enjoy a strong financial position.

Financial Operations

Sales for the fiscal year totaled \$374,085,000, up from \$373,267,000 in the prior year ended February 2, 1974. The lack of sales growth reflects the sharp drop-off in consumer confidence beginning with the latter part of 1974 and continuing into this Spring.

Operations before taxes resulted in a loss of \$11,305,000 compared to a loss in 1973 of \$805,000. After tax credit, the loss in 1974 was \$5,605,000 compared with a profit of \$67,000 the year before. The 1973 results included an extraordinary credit, net of taxes, in the amount of \$350,000 arising from the disposition of vacant real estate.

As noted above, operating expenses were up substantially, even after sharp reductions of personnel and tight control of non-payroll expense, reflecting the impact of inflation on wage levels and materials and services purchased. The greatest single increase was in utility expense, up \$1,100,000. Interest expense rose \$2,196,000 from the prior year. Markdowns were also substantially heavier than the prior year, reflecting both the stepped-up promotional activity to stimulate sales and also the successful effort to bring inventories into line with sales trends.

Inventories ended the year at \$51,429,000, down from \$58,947,000 the year before, while trade payables were \$15,934,000 compared to \$22,334,000 the prior year. The liquid inventory position will enable the Company to better take advantage of merchandise values now being offered by many suppliers. If all inventories had been priced on a FIFO basis, instead of partially on a LIFO basis, inventories would have been \$11,820,000 higher this year and \$9,130,000 higher last year.

Customer Accounts Receivable increased to \$81,233,000 from \$81,155,000. Collection ratios continued to be satisfactory overall though there are some areas where payments are slower than normal.

The Company and its wholly-owned subsidiary, City Stores Credit Corporation, have entered into a

revolving credit agreement with their principal line banks converting its short-term bank lines into a long-term arrangement through August 1976 under which the Company may borrow up to \$65,000,000. At the present time, the Company has borrowed \$51,500,000. This assures the Company of an adequate source of funds through the present period of economic uncertainty. A corollary result of the new agreement was to increase working funds by \$51,500,000 to \$110,986,000 this year. Last year working funds were \$69,356,000.

The Company continued to dispose of the properties of its former Lansburgh division. The lawsuit involving its store in Tyson's Corner was settled and the Company was paid \$1,744,000 for its leasehold and fixtures. In addition, a warehouse was sold for \$1,409,000, leaving only the main store in downtown Washington, D. C. and a leasehold to be disposed of.

New Stores

In July 1974, the Company opened a new Maison Blanche store of 178,000 square feet in the Lake Forest Shopping Center in New Orleans East. This store replaces the free-standing store of 120,000 square feet in the Gentilly Woods area of New Orleans. In addition, the Maison Blanche division opened in October 1974 a 163,000 square foot store in the Bon Marche Shopping Center in Baton Rouge, Louisiana. The Company also opened its second Compass Furniture Warehouse Store. This 100,000 square foot unit is in the Clearview section of New Orleans.

Franklin Simon closed stores in Philadelphia, Pennsylvania and Paramus, New Jersey, and opened a new one in Rockville, Maryland. W & J Sloane also added a Furniture Clearance Center store in Rockville.

For the coming year, new full-line department stores are under construction for Lit Brothers in the Neshaminy Shopping Center northwest of Philadelphia, and for Love-man's in the Century Plaza Shopping Center in Birmingham, Alabama. Both shopping centers will be regional malls, each with three department stores.

Franklin Simon will open a store in Eastchester, New York, and W & J Sloane will replace its Furniture Clearance Center in Hempstead, New York. At the present time, no other new locations are under contract or consideration for 1976 or 1977.

People

We report, with deep appreciation for their leadership and contributions to the Company, the retirement of Isidore Newman, II as President of the Company and of Leonard J. Novogrod as a Vice President of the Company and as President of our W & J Sloane subsidiary. Mr. Novogrod has also resigned as a Director of the Company. Mr. Newman was President of the Company for the past 13 years and before that served in many capacities in 30 years of service at our Maison Blanche division, rising from assistant buyer to President of the division. Mr. Novogrod joined the Company in 1961 upon the purchase of W & J Sloane, Inc., where he was already serving as President.

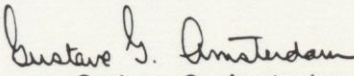
The new President of City Stores Company is Morris Goldstein, who has been President of the Lit Brothers division since 1972 and who came to the Company after a distinguished career with Thalheimer's in Richmond, Virginia, and the May Company, Los Angeles. Mr. Goldstein will be replaced at Lit Brothers by Stanley E. Abelson, who joins the Company from Macy's, New York, where he was most recently Executive Vice President.

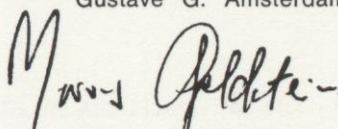
Mr. Novogrod has been replaced by C. George Scala, formerly Senior Vice President and General Merchandise Manager for Homefurnishings of the J. L. Hudson Co., Detroit, Michigan. Mr. Scala joined the Company in August 1974 as President of Sloane's New York division.

We believe that with the ebbing of inflation and a restoration of consumer confidence 1975 can be a year of improvement. With a new management team and with the Company's staff and inventory and physical plant at a highly productive level, we are in an excellent position to take advantage of any economic upturn.

We thank our loyal employees, customers and suppliers who have supported us in the past year and look forward to their continued support in the coming year.

Respectfully submitted,


Gustave G. Amsterdam


Morris Goldstein

April 18, 1975

Statement of Income

	52 Weeks Ended February 1, 1975	52 Weeks Ended February 2, 1974
Sales (including leased departments)	\$374,085,321	\$373,266,577
Deduct		
Cost of goods sold and operating expenses less carrying charges	371,359,816	362,250,409
Depreciation and amortization	5,487,213	5,473,657
Interest and debt expense	8,543,552	6,347,814
	<u>385,390,581</u>	<u>374,071,880</u>
(Loss) before items shown below	(11,305,260)	(805,303)
Federal income tax credit—deferred—Note B	(5,700,000)	(523,000)
(Loss) before extraordinary credit	(5,605,260)	(282,303)
Extraordinary credit—Note C	—	349,638
Net income or (loss)	<u>(\$ 5,605,260)</u>	<u>\$ 67,335</u>
Per share of common stock*		
(Loss) before extraordinary credit	(\$1.72)	(\$.09)
Extraordinary credit	—	.11
Net income or (loss)	<u>(\$1.72)</u>	<u>\$.02</u>

*Based upon weighted average number of shares outstanding.

Statement of Income Reinvested in Business

Balance at beginning of year	\$ 44,297,072	\$ 44,229,737
Net income or (loss)	(5,605,260)	67,335
Balance at end of year	<u>\$ 38,691,812</u>	<u>\$ 44,297,072</u>

See notes to financial statements.

Statement of Financial Condition

	February 1, 1975	February 2, 1974
Assets		
CURRENT ASSETS		
Cash	\$ 9,942,890	\$ 11,204,478
Accounts receivable—Notes D and H	20,980,344	27,020,538
Merchandise inventories—Note E	51,428,564	58,946,961
Supplies and prepaid expenses	4,325,426	3,781,421
Construction in progress for which commitment for long term financing has been obtained (with respect to a property to be held by a real estate subsidiary) ..	—	3,600,000
Property and equipment contracted for sale—Note F	—	900,000
TOTAL CURRENT ASSETS	86,677,224	105,453,398
INVESTMENTS AND OTHER ASSETS—Note F		
Investments and advances—Note A		
City Stores Credit Corporation	7,377,990	7,221,221
Real estate subsidiaries	4,416,169	4,018,909
Property and equipment held for sale	2,123,290	4,266,160
Sundry investments and other items	4,792,948	3,270,158
	<u>18,710,397</u>	<u>18,776,448</u>
PROPERTY AND EQUIPMENT—AT COST—Note G	94,094,072	93,157,089
Less accumulated depreciation and amortization	43,852,270	42,232,599
	<u>50,241,802</u>	<u>50,924,490</u>
	<u>\$155,629,423</u>	<u>\$175,154,336</u>
Liabilities		
CURRENT LIABILITIES		
Current portion of long term debt	\$ 1,225,134	\$ 2,712,597
Accounts payable—trade	15,933,907	22,333,565
Accrued expenses and sundry liabilities	17,471,602	18,195,501
Deferred tax credits, principally applicable to installment sales—Notes A and B	4,574,495	10,287,387
TOTAL CURRENT LIABILITIES	39,205,138	53,529,050
OTHER LONG TERM DEBT—Note I	29,940,666	29,869,532
RESERVES—Note J	7,426,329	6,881,473
DEFERRED TAX CREDITS—Notes A and B	1,874,313	2,030,958
DEFERRED CREDIT	335,774	365,385
OWNERSHIP—Notes H, I and K		
Preferred Stock—\$100 par value—Authorized 29,036 shares—none issued		
Common Stock—\$5 par value—Authorized 6,000,000 shares; outstanding 3,263,469 shares for both years (after deducting 12,423 shares in treasury)	16,317,345	16,317,345
Other capital	21,838,046	21,863,521
Income reinvested in business	38,691,812	44,297,072
	<u>76,847,203</u>	<u>82,477,938</u>
Commitments, leases, other comments and litigation—Notes L, M and N	\$155,629,423	\$175,154,336

See notes to financial statements.

Statement of Financial Condition

	February 1, 1975	February 2, 1974
Assets		
CURRENT ASSETS		
Cash	\$ 10,440,423	\$ 11,691,703
Accounts receivable—Notes D and H	84,560,169	84,776,635
Merchandise inventories—Note E	51,428,564	58,946,961
Supplies and prepaid expenses	4,380,938	3,810,987
Construction in progress for which commitment for long term financing has been obtained (with respect to a property to be held by a real estate subsidiary) ..	—	3,600,000
Property and equipment contracted for sale—Note F	—	900,000
TOTAL CURRENT ASSETS	150,810,094	163,726,286
INVESTMENTS AND OTHER ASSETS—Note F		
Property and equipment held for sale	2,996,773	5,139,643
Sundry investments and other items	5,030,674	3,346,375
	8,027,447	8,486,018
PROPERTY AND EQUIPMENT—AT COST—Note G		
Less accumulated depreciation and amortization	116,578,354	110,916,127
	48,529,018	47,322,672
	68,049,336	63,593,455
	\$226,886,877	\$235,805,759
Liabilities		
CURRENT LIABILITIES		
Notes payable to banks—City Stores Credit Corporation—Note H	\$ 4,000,000	\$ 50,000,000
Current portion of long term debt	1,650,295	3,100,669
Accounts payable—trade	15,933,907	22,333,565
Accrued expenses and sundry liabilities	18,238,995	18,935,966
Deferred tax credits, principally applicable to installment sales—Notes A and B	4,574,495	10,287,387
TOTAL CURRENT LIABILITIES	44,397,692	104,657,587
LOANS PAYABLE TO BANKS UNDER REVOLVING CREDIT AGREEMENT—City Stores Credit Corporation—Note H		
	51,500,000	—
OTHER LONG TERM DEBT—Note I		
Parent company and retail subsidiaries	29,940,666	29,869,532
Real estate subsidiaries	14,221,188	9,367,129
	44,161,854	39,236,661
RESERVES—Note J		
	7,426,329	6,881,473
DEFERRED TAX CREDITS—Notes A and B		
	2,218,025	2,186,715
DEFERRED CREDIT		
	335,774	365,385
OWNERSHIP—Notes H, I and K		
Preferred Stock—\$100 par value—Authorized 29,036 shares—none issued		
Common Stock—\$5 par value—Authorized		
6,000,000 shares; outstanding 3,263,469 shares for both years		
(after deducting 12,423 shares in treasury)	16,317,345	16,317,345
Other capital	21,838,046	21,863,521
Income reinvested in business	38,691,812	44,297,072
	76,847,203	82,477,938
Commitments, leases, other comments and litigation—Notes L, M and N		
	\$226,886,877	\$235,805,759

See notes to financial statements.

Statement of Changes in Financial Position

(Expressed in even thousands of dollars)

	City Stores Company and Retail Subsidiaries		City Stores Company and Subsidiaries	
	52 Weeks Ended February 1, 1975	52 Weeks Ended February 2, 1974	52 Weeks Ended February 1, 1975	52 Weeks Ended February 2, 1974
Funds Provided:				
(Loss) before extraordinary credit	(\$ 5,605,000)	(\$ 282,000)	(\$ 5,605,000)	(\$ 282,000)
Charges not requiring current outlay of working capital:				
Depreciation and amortization	5,029,000	5,012,000	5,487,000	5,474,000
Additions to pension reserve and other non-current items	690,000	596,000	659,000	603,000
Total funds provided from operations	114,000	5,326,000	541,000	5,795,000
Disposals of property and equipment	23,000	10,000	913,000	145,000
Disposals of property and equipment held for sale	2,199,000	3,130,000	2,199,000	3,130,000
Refinancing of bank loans pursuant to revolving credit agreement	—	—	51,500,000	—
Proceeds from and refinancing of other long term debt	1,296,000	—	6,588,000	—
Long term debt transferred from real estate subsidiary	—	1,461,000	—	—
	3,632,000	9,927,000	61,741,000	9,070,000
Funds Applied:				
Extraordinary credit	—	(349,000)	—	(349,000)
Add: Items not affecting working capital	—	672,000	—	672,000
Total funds applied to extraordinary credit	—	323,000	—	323,000
Increase in sundry investments and other items	884,000	—	1,015,000	—
Additions to property and equipment	5,194,000	4,586,000	11,596,000	4,716,000
Additions to property and equipment held for sale	56,000	178,000	56,000	178,000
Property and equipment held for sale—transferred from real estate subsidiary	—	2,018,000	—	—
Reduction in long term debt	1,225,000	3,134,000	1,663,000	3,481,000
Increase or (decrease) in investments and advances to unconsolidated subsidiaries	554,000	(10,000)	—	—
Other, net	171,000	(153,000)	68,000	(165,000)
	8,084,000	10,076,000	14,398,000	8,533,000
Increase or (decrease) in working capital	(4,452,000)	(149,000)	47,343,000	537,000
(Decrease) in current deferred tax credits, principally applicable to installment sales—Notes A and B	(5,713,000)	(89,000)	(5,713,000)	(89,000)
Increase or (decrease) in working funds	(\$10,165,000)	(\$ 238,000)	\$41,630,000	\$ 448,000
Changes in Working Capital and Working Funds:				
Increase or (decrease) in current assets:				
Cash	(\$ 1,262,000)	\$ 1,217,000	(\$ 1,251,000)	\$ 1,176,000
Accounts receivable	(6,040,000)	(5,085,000)	(217,000)	2,066,000
Merchandise inventories	(7,518,000)	(181,000)	(7,518,000)	(181,000)
Supplies and prepaid expenses	544,000	101,000	570,000	102,000
Construction in progress for which commitment for long term financing has been obtained (with respect to a property to be held by a real estate subsidiary)	(3,600,000)	3,600,000	(3,600,000)	3,600,000
Property and equipment contracted for sale	(900,000)	(4,750,000)	(900,000)	(4,750,000)
	(18,776,000)	(5,098,000)	(12,916,000)	2,013,000
Less—Increase or (decrease) in current liabilities:				
Notes payable to banks	—	—	(46,000,000)	7,000,000
Current portion of long term debt	(1,488,000)	1,229,000	(1,450,000)	1,038,000
Accounts payable—trade	(6,399,000)	72,000	(6,399,000)	72,000
Accrued expenses and sundry liabilities	(724,000)	(6,161,000)	(697,000)	(6,545,000)
Deferred tax credits, principally applicable to installment sales	(5,713,000)	(89,000)	(5,713,000)	(89,000)
	(14,324,000)	(4,949,000)	(60,259,000)	1,476,000
Increase or (decrease) in working capital	(4,452,000)	(149,000)	47,343,000	537,000
(Decrease) in current deferred tax credits, principally applicable to installment sales—Notes A and B	(5,713,000)	(89,000)	(5,713,000)	(89,000)
Increase or (decrease) in working funds	(\$10,165,000)	(\$ 238,000)	\$41,630,000	\$ 448,000

See notes to financial statements.

Statement of Financial Condition—Note A

	February 1, 1975	February 2, 1974
Assets		
Cash	\$ 59,705	\$ 70,772
Customer receivables—assigned by City Stores Company and Subsidiaries—see Note below	70,489,114	64,162,728
Accrued interest receivable	31,897	22,481
	<u>\$70,580,716</u>	<u>\$64,255,981</u>
Liabilities		
Notes payable to banks—Note H	\$ 4,000,000	\$50,000,000
Loans payable to banks under revolving credit agreement—Note H	51,500,000	—
Accrued expenses	621,918	596,006
Due to City Stores Company	96,786	—
Amount (reserve) withheld pending collection of customer receivables	7,048,911	6,416,273
Ownership—see Note below		
Common Stock—\$1,000 par value—Authorized 5,000 shares; outstanding 3,750 shares	3,750,000	3,750,000
Income reinvested in business	<u>3,563,101</u>	<u>3,493,702</u>
	<u>7,313,101</u>	<u>7,243,702</u>
	<u>\$70,580,716</u>	<u>\$64,255,981</u>

Note—Pursuant to the terms of a revolving credit agreement, which became effective in April 1975, City Stores Credit Corporation is not permitted to pay dividends and has assigned and will continue to assign a security interest in its receivables to the participating banks—see Note H.

Real Estate Subsidiaries

Combined Summary of Net Assets—Note A

	February 1, 1975	February 2, 1974
Land, buildings, leaseholds, equipment, at cost, less accumulated depreciation—Notes G and I	\$17,807,534	\$12,668,965
Mortgages payable—current portions \$425,161 and \$388,072, respectively—Note I	<u>14,646,349</u>	<u>9,755,201</u>
	3,161,185	2,913,764
Other assets—net	<u>1,254,984</u>	<u>1,105,145</u>
Net assets consisting of intercompany accounts and ownership	<u>\$ 4,416,169</u>	<u>\$ 4,018,909</u>

See notes to financial statements.

Notes to Financial Statements

A—SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are as follows:

PRINCIPLES OF CONSOLIDATION—The accompanying consolidated Statement of Financial Condition of City Stores Company and Subsidiaries includes all active subsidiaries. The consolidated Statement of Financial Condition of City Stores Company and Retail Subsidiaries includes all active subsidiaries other than real estate subsidiaries and City Stores Credit Corporation. The investment in subsidiaries not consolidated in such financial statement is carried at an amount equal to their net assets. The accounts of City Stores Credit Corporation and all active real estate subsidiaries are included in the consolidated statement of income. A statement of financial condition of the credit company and a summary of the net assets of the real estate subsidiaries are also presented.

Material intercompany items have been eliminated in the preparation of these statements.

ACCOUNTS RECEIVABLE—Accounts receivable installments maturing in more than one year have been included in current assets in accordance with trade practice; it is not practicable to determine the amount of such installments.

MERCHANDISE INVENTORIES—Merchandise inventories are determined principally under the retail method and are stated partly at LIFO cost which is substantially lower than market (see Note E) and partly at the lower of FIFO cost or market.

PROPERTY AND EQUIPMENT—Expenditures for renewals and betterments representing improvements to property and equipment and interest costs during the construction period of store properties are capitalized. Expenditures for maintenance and repairs are charged to income as incurred.

At the time store fixtures and equipment become fully depreciated or amortized, or at the time properties are sold or otherwise disposed of, it is the policy generally to eliminate from the accounts the cost thereof and the related accumulated depreciation or amortization. Any gain or loss on disposal is usually credited or charged to income.

Depreciation and amortization for financial accounting purposes have been computed on a straight-line basis

over the estimated useful lives of the assets or the terms of leases, if shorter.

FEDERAL INCOME TAXES—The Company and its subsidiaries file consolidated federal income tax returns; subsidiaries are charged or credited an amount equal to the tax that would have been applicable on a separate return basis.

The Company records income from installment sales for financial accounting purposes at the time sales are made and for tax purposes on the basis of cash collections and deducts depreciation for tax purposes in different time periods from those in which it is recorded for financial accounting purposes. Accumulated tax effects resulting from recognizing these and other timing differences are shown in the accompanying statements of financial condition as deferred tax credits. The investment tax credit is applied as a reduction of the provision for income taxes in the year the related assets are placed in service.

PENSION PLANS—Under the Company's pension plans, which are unfunded, annual amounts are provided, on the accrual basis, based on actuarial estimates of current service costs, amortization of prior service costs over thirty years and interest.

B—FEDERAL INCOME TAXES

The federal income tax benefit has been increased by investment tax credits of approximately \$370,000 this year and \$184,000 last year. These benefits have been applied as a reduction of the account deferred tax credits, principally applicable to installment sales in both years.

The difference between the tax benefits as shown and those calculated at statutory rates is primarily due to the investment tax credit.

The Company has, for tax purposes, a net operating loss carryforward of approximately \$19,300,000 at February 1, 1975. Additionally, there are available investment tax credit carryforwards of approximately \$1,070,000. The net operating loss carryforward will expire approximately as follows: \$6,800,000 in the year ending January 1979 and \$12,500,000 in the year ending January 1980. The investment tax credit carryforwards will expire at various dates from January 1979 through January 1982. Such carryforwards can be availed of to the extent of subsequent taxable income and will, when utilized, reduce the amount of tax that would otherwise be payable and increase the deferred tax credit accounts.

The Internal Revenue Service has proposed additional federal income tax assessments for the years 1959 through 1968 of approximately \$1,660,000 including interest net of tax effect, relating principally to the deferral of gross profit on installment sales. The Company has protested these assessments. In addition, a related issue has been raised which has been referred to the National Office for technical advice. If a deficiency of taxes is finally determined, it will be substantially covered by amounts provided (deferred tax credits) in the financial statements.

C—EXTRAORDINARY CREDIT

The extraordinary credit for last year consists of the reversal of a portion of real estate reserve no longer required, after federal income tax of \$323,000. The reserve which was provided in prior years, was applicable to a closed store which was sold in November 1973.

D—ACCOUNTS RECEIVABLE

The accounts receivable are summarized as follows:

	This Year	Last Year
Accounts Receivable:		
Customers—net of allowances of \$2,459,305 and \$2,108,143, respectively	\$81,232,744	\$81,154,765
Current portion of notes receivable	136,284	34,064
Other—net of allowances of \$262,455 and \$202,065, respectively	3,191,141	3,587,806
City Stores Company and Subsidiaries	84,560,169	84,776,635
Less:		
Customers accounts receivable assigned to City Stores Credit Corporation—net of equity of \$7,048,911 and \$6,416,273, respectively—see Note H .	63,440,203	57,746,455
Real Estate Subsidiaries—other receivables	139,622	9,642
City Stores Company and Retail Subsidiaries	<u>\$20,980,344</u>	<u>\$27,020,538</u>

Accounts receivable from customers include installment accounts of approximately \$79,000,000 and \$78,300,000, respectively.

The Company has an agreement with City Stores Credit Corporation under which customers accounts receivable are assigned to the credit company and the credit company remits amounts equal to 90% of the accounts assigned, withholding 10% of the uncollected balances representing the Company's equity.

E—MERCHANDISE INVENTORIES

Merchandise inventories are summarized as follows:

	This Year	Last Year
At LIFO cost	\$25,477,260	\$29,625,098
At lower of FIFO cost or market	26,573,202	30,017,147
	52,050,462	59,642,245
Less allowance for discounts applicable to LIFO inventories ..	621,898	695,284
	<u>\$51,428,564</u>	<u>\$58,946,961</u>

The inventories priced at LIFO cost would be approximately \$11,820,000 more this year and \$9,130,000 more last year if they had been priced at the lower of FIFO cost or market.

F—INVESTMENTS AND OTHER ASSETS

In a prior year, the Company terminated the operations of its Lansburgh's division in Washington, D. C. and has disposed of substantially all of the assets of this division. During the year ended February 1, 1975, the assignment of a lease to Arlen Realty and Development Corporation was completed and two other properties were sold. The Pennsylvania Avenue Development Corporation, a wholly owned corporation of the U. S. Government, plans to acquire the property in downtown Washington, D. C., contingent upon funding from the Congress.

Investments and Other Assets include approximately \$3,960,000 at February 1, 1975 applicable to such division. Management is of the opinion that such amount together with costs to be incurred in connection with carrying this property and a leasehold will be substantially recovered by the proceeds to be realized from the final disposition of the division's remaining property held for sale.

G—PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classifications, as follows:

City Stores Company and Retail Subsidiaries:	This Year	Last Year
Land	\$ 7,201,283	\$ 7,201,283
Buildings and building improvements	20,730,243	20,330,416
Leasehold costs and improvements	27,412,775	27,890,199
Store fixtures and equipment	38,468,737	36,537,987
Improvements in progress ...	281,034	1,197,204
Total	94,094,072	93,157,089
Less accumulated depreciation and amortization	43,852,270	42,232,599
	<u>\$ 50,241,802</u>	<u>\$ 50,924,490</u>

City Stores Company and Subsidiaries:	This Year	Last Year
Land	\$ 12,518,239	\$ 12,298,625
Buildings and building im- provements	35,104,380	31,721,614
Leasehold costs and improve- ments	27,834,451	28,311,875
Store fixtures and equipment	39,988,317	37,376,809
Improvements in progress ...	1,132,967	1,207,204
Total	116,578,354	110,916,127
Less accumulated depre- ciation and amortiza- tion	48,529,018	47,322,672
	<u>\$ 68,049,336</u>	<u>\$ 63,593,455</u>

H—LOANS PAYABLE TO BANKS UNDER REVOLVING CREDIT AGREEMENT

In February 1975 the Company and its credit subsidiary, City Stores Credit Corporation, entered into a \$65,000,000 revolving credit agreement with eleven banks which became effective in April 1975 and will expire on August 31, 1976 at which time, the Company and its credit subsidiary may renegotiate the agreement or may seek alternate sources of financing. Under the agreement, outstanding loans are due August 31, 1976 and are limited to 80% of the outstanding unpaid balances of the Company's eligible accounts receivable assigned to the credit subsidiary, except that during the period beginning August 31, 1975 and ending December 31, 1975 the borrowing base may be increased by an additional \$3,000,000. The credit subsidiary assigned and will continue to assign a security interest in such receivables (see Note on City Stores Credit Corporation Statement of Financial Condition) to the participating banks.

The agreement substantially incorporates the restrictions in the note agreement with long term lenders and provides, among other things, that the Company maintain tangible net worth of not less than \$70,000,000 and places limitations on liabilities and capital expenditures.

The Company has given effect to this transaction in the applicable Statements of Financial Condition at February 1, 1975 and, accordingly, \$51,500,000 of notes payable to banks has been included as a long term liability based on the Company's estimate of its minimum borrowing requirements during the next fiscal year.

A commitment fee is payable on the maximum credit and on the average unused portion of the credit, and the annual interest rate is 1¼% over the prime rate of the agent bank. The Company will keep compensating cash balances with the participating banks at an average of 10% of the maximum credit and to the extent

that these balances are not maintained will pay additional interest at a rate of 1½% per annum over the prime rate of the agent bank.

This agreement replaces the short term credit lines that the Company had with the eleven participating banks under which interest was paid at a rate of ¼% over the prime rate and compensating balances were maintained equal to 10% of the credit lines plus 10% of borrowings thereunder.

I—OTHER LONG TERM DEBT

Other long term debt is summarized as follows:

	This Year	Last Year
6½% notes to insurance company, payable in installments to 1987	\$21,000,000	\$21,800,000
Mortgages, payable at interest rates ranging from 8½% to 10½%—due in varying annual amounts to 2003	8,532,666	7,485,032
Notes to insurance companies and others, principally at interest rates of 5% and 6%, payable in installments to 1978	408,000	584,500
City Stores Company and Retail Subsidiaries	29,940,666	29,869,532
Mortgages, payable principally at interest rates ranging from 5¼% to 9½%—due in varying annual amounts to 1991 ..	12,558,053	9,367,129
Installment purchase obligation to a Municipal Authority for property and equipment under construction at an interest rate of 7½% per annum—due in equal quarterly installments through 1995 when the balance becomes due	1,663,135	—
Total Real Estate Subsidiaries ..	14,221,188	9,367,129
City Stores Company and Subsidiaries	<u>\$44,161,854</u>	<u>\$39,236,661</u>

The approximate total maturities and/or installments payable of other long term debt during the five fiscal years commencing February 2, 1975, are as follows:

Fiscal year ending in	City Stores Company and Retail Subsidiaries	City Stores Company and Subsidiaries
1976	\$1,225,000	\$1,650,000
1977	2,820,000	3,266,000
1978	3,274,000	3,681,000
1979	1,916,000	2,298,000
1980	1,863,000	2,250,000

At February 1, 1975 property and equipment in the net amount of approximately \$27,200,000 is subject to mortgages or installment purchase obligation. In April 1975, in conjunction with the execution of the Revolving

Credit Agreement—see Note H, the loan agreement with respect to the \$21,000,000 notes to an insurance company was amended. The agreement provides, among other things, for (1) the maintenance of minimum consolidated working capital, (2) restrictions on the purchase, redemption or other acquisition of the Company's common stock, (3) restrictions on the payment of cash dividends on the Company's common stock (as of February 1, 1975 there were no earnings available for the payment of dividends), and as amended, incorporates some of the restrictions of the Revolving Credit Agreement and grants a security interest in two properties with a net book amount at February 1, 1975 of approximately \$6,500,000, net of a mortgage payable.

J—RESERVES

Reserves, excluding current portions, have been provided for the following:

	This Year	Last Year
Pensions	\$5,436,958	\$4,677,877
Deferred compensation	1,636,828	1,726,727
Termination of store operations and real estate dispositions ..	352,543	476,869
	<u>\$7,426,329</u>	<u>\$6,881,473</u>

K—STOCK OPTIONS AND OTHER CAPITAL

Under the Company's 1969 Stock Option Plan, options may be granted to selected key executives to purchase a maximum of 100,000 shares of the Company's common stock at the market price at date of grant. Options are exercisable over a five-year period. Options to purchase 62,900 shares and 54,400 shares were available for grant as at February 1, 1975 and February 2, 1974, respectively.

Transactions under the above plan and the 1960 Stock Option Plan which expired in 1974 are summarized as follows:

	1969 Plan		1960 Plan	
	This Year	Last Year	This Year	Last Year
Shares under option—beginning of year ...	45,600	30,400	2,250	14,300
Options granted at \$2.625 per share this year and at \$4.00 to \$5.125 per share last year	5,000	17,000	—	—
Options cancelled	(8,500)	(1,800)	—	(7,250)
Options expired	(5,000)	—	(2,250)	(4,800)
Shares under option—end of year at \$2.625 to \$10.375 per share	<u>37,100</u>	<u>45,600</u>	<u>—</u>	<u>2,250</u>

At February 1, 1975, options for 17,000 shares were exercisable. No options were exercised in either year.

Other capital has been charged \$25,475 this year and \$23,271 last year, representing the cost of registering certain shares of the Company's common stock.

L—LEASES

	This Year	Last Year
Total rental expense for real and personal property amounted to:		
Non-cancellable leases:		
Financing leases, as defined by the Securities and Exchange Commission (including equipment rental of \$381,107 and \$357,263, respectively)	\$ 2,843,281	\$ 2,932,540
Non-financing leases	9,794,099	9,198,388
	<u>12,637,380</u>	<u>12,130,928</u>
Other leases (including equipment rental of \$228,808 and \$304,319, respectively) ...	339,603	654,601
	<u>12,976,983</u>	<u>12,785,529</u>
Sublease income, principally applicable to financing leases	(1,372,485)	(1,382,101)
Total Rental Expense	<u>\$11,604,498</u>	<u>\$11,403,428</u>

Total rental expense includes percentage rental payments, based on sales, on real property of \$705,045 and \$745,346, respectively.

The real property leases are primarily for retail stores and for the most part are renewable. Certain leases provide for payments, in addition to percentage rentals, of real estate taxes and insurance.

The future minimum rental commitments for all non-cancellable leases as at February 1, 1975 are as follows:

(in thousands)					
Year Ending January	Net Total	Financing		Non-financing (Real Property)	Sublease Income (Real Property)
		Real Property	Personal Property		
1976	\$ 10,770	\$ 2,431	\$ 302	\$ 8,987	(\$ 950)
1977	10,620	2,431	284	8,798	(893)
1978	10,047	2,431	275	8,119	(778)
1979	9,567	2,431	211	7,656	(731)
1980	9,306	2,431	172	7,392	(689)
1981-85 ...	39,162	12,007	—	29,878	(2,723)
1986-90 ...	30,679	9,675	—	22,529	(1,525)
1991-95 ...	18,528	4,937	—	13,591	—
After 1995 .	19,821	3,462	—	16,359	—
	<u>\$158,500</u>	<u>\$42,236</u>	<u>\$1,244</u>	<u>\$123,309</u>	<u>(\$8,289)</u>

The present values of the net minimum rental commitments for all financing leases are:

(in thousands)		This Year's Interest Rates		This Year	Last Year
		Average	Range		
Real Property (net of the present value of minimum sublease income of \$4,602 and \$4,745, respectively)	7.1%	4.5%-9.0%		\$16,168	\$16,800
Personal Property ..	7.6%	6.3%-9.0%		974	980
				<u>\$17,142</u>	<u>\$17,780</u>

The present values were computed after reducing minimum rental commitments by estimated amounts applicable to payment of real estate taxes, insurance, maintenance and other amounts.

If all financing leases had been capitalized (net of financing subleases) and the related assets amortized on a straight-line basis and interest cost was accrued on the basis of the outstanding lease liability, the net loss would have been increased by \$123,000 this year and net income would have been \$140,000 less last year.

This computation includes:

	(in thousands)	
	This Year	Last Year
Assumed amortization	\$ 976	\$ 920
Assumed interest	\$1,228	\$1,245

M—COMMITMENTS AND OTHER COMMENTS

The Company's non-contributory pension plans (as amended) cover, generally, employees with fifteen years of service who are not participants in any other plan to which the Company contributes. The plans provide for retirement, generally at age 65, with no vesting of benefits and are not funded. The Company may amend, modify or terminate the plans in whole or in part at any time.

The amounts charged to income for pensions were approximately \$1,708,000 this year and \$1,650,000 last year.

Under the plans there is no vesting, but if there were vesting, the actuarially computed value of vested benefits for retired employees and those who are eligible for retirement, as this term is defined in Opinion 8 of the Accounting Principles Board of the American Institute of Certified Public Accountants, would amount to approximately \$11,100,000 as at February 1, 1975.

In 1976 the Company's pension plans will become subject to the Employee Retirement Income Security Act of 1974. Compliance with the act will require amendments to the plans pertaining principally to eligibility, vesting and funding. Although final determinations have not as yet been made, management believes that amendments to the plan will not have a significant effect upon the cost of the pension plans.

At February 1, 1975, the Company had commitments for the purchase or construction of store properties and fixtures (approximately \$4,650,000) and for the purchase of computer equipment (approximately \$1,300,000). Such commitments will be fully financed through a 7% twenty year installment purchase agreement for the store property, a 2% over prime nine year financing lease for the store fixtures and a

1% over prime five year chattel mortgage for computer equipment. Estimated maturities of the aforementioned obligations in the next fiscal year will be approximately \$150,000.

Costs and expenses include the following:

	This Year	Last Year
Cost of goods sold, buying and occupancy expenses	\$274,064,905	\$269,360,438
Selling, general and administrative expenses (less carrying charges) and provision for doubtful accounts—customers	\$ 97,294,911	\$ 92,889,971

Selling, general and administrative expenses are net of carrying charges on customer receivables. The cost of administering the retail credit program, including bad debts incurred and interest (computed at the average effective rate for short term borrowings applied to the average total customer account receivables less deferred income taxes resulting from installment sales), exceeded the carrying charges on customer receivables as follows:

	This Year	Last Year
Cost of credit program	\$15,985,000	\$12,703,000
Carrying charge income	9,372,000	8,870,000
	<u>\$ 6,613,000</u>	<u>\$ 3,833,000</u>

The above data do not reflect other indirect costs related to the credit program or any allocation for corporate overhead expense.

The Company has capitalized interest costs during the construction period of its store properties of approximately \$220,000 this year and approximately \$95,000 last year.

N—LITIGATION

On December 19, 1973 in a proceeding before the Suffolk Superior Court in Massachusetts, the Company was granted an award of \$2,850,000 for the value of a former store property in Boston, Massachusetts, which had been taken by condemnation by the Boston Redevelopment Authority. This represented an increase of \$1,154,000 over the interim payments already received of \$1,696,000. The interim payments were accounted for in prior years as part of an extraordinary charge on the closing of the store, but no effect has been given to the increase pending resolution of an appeal made by the Authority. The award does not include interest accrued thereon which is estimated to be in excess of \$500,000. In addition, there are counsel fees and certain other disbursements to be paid.

In the opinion of the Company, claims and litigation asserted against the Company would have no material adverse effect on the accompanying financial statements.

Accountants' Report

S. D. LEIDESDORF & CO.
Certified Public Accountants
New York, N.Y.

To the Board of Directors
City Stores Company
New York, N.Y.

We have examined the financial statements of City Stores Company ("Company") and Subsidiaries (see Note A) as follows:

1. Statements of Financial Condition as at February 1, 1975 and February 2, 1974: Company and Subsidiaries; Company and Retail Subsidiaries; and City Stores Credit Corporation,
2. Statements of Income and of Income Reinvested in Business of City Stores Company and Subsidiaries for the fiscal years (52 weeks) ended February 1, 1975 and February 2, 1974,
3. Statements of Changes in Financial Position for the fiscal years ended February 1, 1975 and February 2, 1974: Company and Subsidiaries and Company and Retail Subsidiaries, and
4. Combined Summary of Net Assets of real estate subsidiaries as at February 1, 1975 and February 2, 1974.

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly (1) the financial position of the Company and Subsidiaries, and of the Company and Retail Subsidiaries at February 1, 1975 and February 2, 1974 and changes in their financial position for the fiscal years then ended, and the results of operations of the Company and Subsidiaries for the fiscal years then ended, (2) the financial position of City Stores Credit Corporation at February 1, 1975 and February 2, 1974 and (3) the combined summary of net assets of real estate subsidiaries at February 1, 1975 and February 2, 1974, in conformity with generally accepted accounting principles applied on a consistent basis.

S. D. Leidesdorf & Co.

New York, N.Y.
April 18, 1975

Stock and Dividend Data

The Company's sole outstanding stock is its Common Stock which is listed on the New York Stock Exchange (Symbol "CSS") and its high and low quarterly sales prices for the past two calendar years and first quarter of 1975 as reported on said Exchange were as follows:

Quarter ended:	1974		1973	
	High	Low	High	Low
March 31	4 $\frac{3}{8}$	3 $\frac{3}{8}$	6 $\frac{7}{8}$	5 $\frac{5}{8}$
June 30	4	2 $\frac{5}{8}$	7 $\frac{5}{8}$	5
September 30	2 $\frac{7}{8}$	2 $\frac{1}{4}$	5 $\frac{1}{2}$	4 $\frac{1}{2}$
December 31	3	1 $\frac{3}{8}$	5 $\frac{1}{4}$	3
March 31, 1975	2 $\frac{1}{2}$	1 $\frac{3}{4}$		

The Company paid no dividends on its stock during the said periods.

Financial Review

Quarterly data: The results of operations (unaudited) for the fourth quarter of the last two years are shown below:

	Thirteen Weeks Ended February 1, 1975*	Thirteen Weeks Ended February 2, 1974	Per share of Common Stock	
			1974	1973
Sales	\$112,682,000	\$115,697,000		
Income or (loss) before federal income taxes and extraordinary credit	(\$421,000)	\$ 5,430,000		
Federal income taxes or (credit) including investment tax credits of \$275,000 this quarter and \$135,000 last quarter ..	(476,000)	2,470,000		
Income before extraordinary credit	55,000	2,960,000	\$.02	\$.90
Extraordinary credit—net of federal income taxes	—	349,000	—	.11
Net income	\$ 55,000	\$ 3,309,000	\$.02	\$1.01

* The fourth quarter of 1974 reflects a substantial adjustment of the estimated Lifo inventories of prior quarters based upon the Department Stores Inventory Price Index for 1974 as published by the Bureau of Labor Statistics in March 1975. The extent to which this adjustment applies to prior quarters cannot be determined.

Management Analysis of Operations

As a result of opening new department stores in 1974 and the continuing growth experienced in existing stores in 1973, consolidated sales increased to \$374,085,000 in 1974 and to \$373,267,000 in 1973. In addition, both years reflect the accelerated pace of inflation. Sales for 1973 were adversely affected by a five-month Teamsters' strike, which ended in November 1973, at the Company's largest division, Lit Brothers. The effect of the strike continued to be reflected in the 1974 sales of this division due to the severe dislocation in merchandise composition as a result of the disruption in the flow of merchandise. The lack of sales growth in 1974 also reflects the effect of the sharp drop-off in consumer confidence which began in the latter part of the year.

Increases in cost of goods sold and in buying and occupancy expense, in 1974 and in 1973, were due primarily to the sharply increased rate of inflation in both merchandise and operating costs. In addition, substantially

higher markdowns were taken in 1974 in order to stimulate sales and reduce inventory levels. Inventories were \$51,429,000 in 1974 and \$58,947,000 in 1973, a decrease of \$7,518,000.

Interest expense increased by \$2,196,000 or 34.6% in 1974 and by \$1,843,000 or 40.9% in 1973 as a result of higher interest rates and increased levels of debt.

The increase in net loss in 1974 and the loss in 1973 (continuing operations) were a direct result of the aforementioned factors and the effect of inflation on wages and services purchased. Although results of discontinued operations were a major factor contributing to the net loss in 1972, there were no results of discontinued operations in 1974 and 1973.

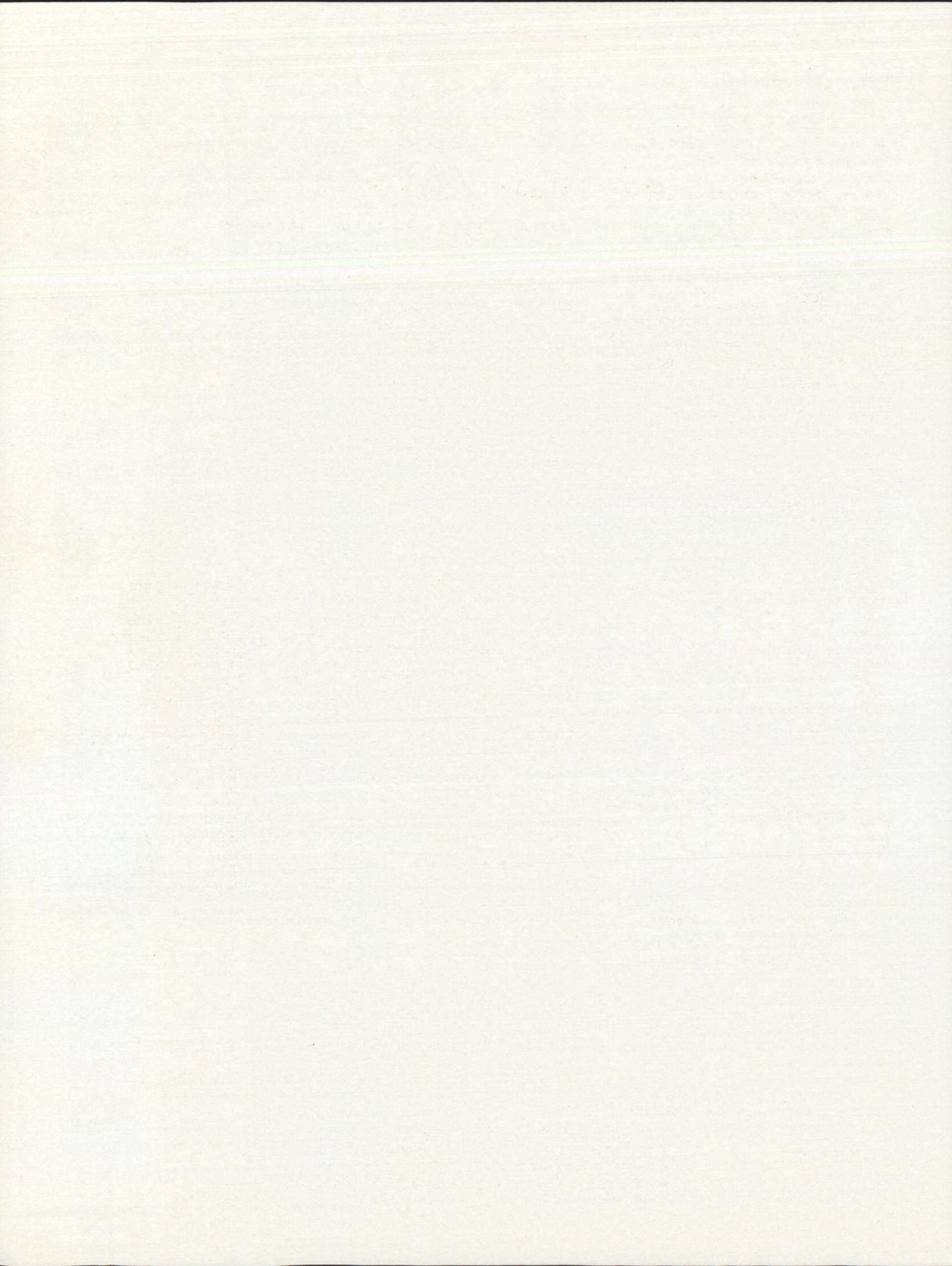
In 1973 there was a net extraordinary credit (\$349,000) resulting from the reversal of a reserve no longer required arising from the sale of a non-operating property; in 1972, net loss included a net extraordinary charge (\$1,812,000) arising primarily from the discontinuance of the operations of a division.

Historical Comparison

	February 1, 1975	February 2, 1974	February 3, 1973 †	January 29, 1972	January 30, 1971
Continuing Operations					
Sales	\$374,085,000	\$373,267,000	\$367,408,000	\$346,911,000	\$335,502,000
Index of sales	112	111	110	103	100
Cost of goods sold, buying and occupancy expenses (exclusive of depreciation and amortization of property and equipment)	274,065,000	269,360,000	262,581,000	249,938,000	242,013,000
Depreciation and amortization of property and equipment	5,487,000	5,474,000	5,385,000	5,398,000	5,147,000
Interest and debt expense	8,544,000	6,348,000	4,505,000	4,340,000	4,610,000
Income or (loss) before federal income taxes	(11,305,000)	(805,000)	5,078,000	2,178,000	1,665,000
Federal income tax or (credit)	(5,700,000)	(523,000)	2,227,000	782,000	480,000
Income or (loss) of continuing operations	(5,605,000)	(282,000)	2,851,000	1,396,000	1,185,000
(Loss) of discontinued operations, net of tax credit	—	—	(1,715,000)	(1,048,000)	(1,764,000)
Income or (loss) before extraordinary items	(5,605,000)	(282,000)	1,136,000	348,000	(579,000)
Extraordinary items, credit or (charge), net of taxes	—	349,000	(1,812,000)	394,000	(344,000)
Net income or (loss)	(5,605,000)	67,000	(676,000)	742,000	(923,000)
Per share of common stock:					
Income or (loss) of continuing operations	(1.72)	(.09)	.87	.43	.37
(Loss) of discontinued operations	—	—	(.53)	(.32)	(.54)
Income or (loss) before extraordinary items	(1.72)	(.09)	.34	.11	(.17)
Extraordinary items, credit or (charge) ..	—	.11	(.55)	.12	(.11)
Net income or (loss)	(1.72)	.02	(.21)	.23	(.28)
Dividends					
Common stock	—	—	—	—	326,351
Per share	—	—	—	—	.10
Financial					
Working funds*					
City Stores Company and Retail Subsidiaries	52,047,000	62,212,000	62,450,000	66,034,000	65,674,000
Working funds ratio	2.5	2.4	2.3	2.8	2.8
City Stores Company and Subsidiaries	110,986,000	69,356,000	68,908,000	72,351,000	70,275,000
Working funds ratio	3.8	1.7	1.7	2.0	1.9
Accounts receivable—customers	81,233,000	81,155,000	79,139,000	76,309,000	77,994,000
Proceeds from financing of receivables—City Stores Company and Retail Subsidiaries	(63,440,000)	(57,746,000)	(50,594,000)	(42,020,000)	(45,441,000)
Inventories	51,429,000	58,947,000	59,128,000	51,063,000	49,519,000
Property and equipment—net					
City Stores Company and Retail Subsidiaries	50,242,000	50,925,000	51,360,000	51,381,000	46,625,000
City Stores Company and Subsidiaries	68,049,000	63,593,000	64,497,000	71,512,000	67,186,000
Loans payable to banks under revolving credit agreement—City Stores Company and Subsidiaries	51,500,000	—	—	—	—
Other long term debt					
City Stores Company and Retail Subsidiaries	29,941,000	29,870,000	31,543,000	28,914,000	26,378,000
City Stores Company and Subsidiaries	44,162,000	39,237,000	42,718,000	42,121,000	40,383,000
Ownership					
Common stock equity	76,847,000	82,478,000	82,434,000	83,125,000	82,396,000
Common stock equity per share	23.55	25.27	25.26	25.47	25.24
Number of common shares outstanding					
Average during year and at end of year	3,263,469	3,263,469	3,263,469	3,263,469	3,263,469

†53 Weeks.

*Working funds consist of current assets less current liabilities, exclusive of deferred tax credits principally applicable to installment sales.



DIRECTORS

Gustave G. Amsterdam*

Chairman of Board, Bankers Securities Corp.—and the Company

Murry C. Becker*†

Partner, Becker, Ross & Stone, Lawyers

John R. Bunting, Jr.*†

Chairman of Board and Chief Executive Officer, First Pennsylvania Corporation and First Pennsylvania Bank

Morris Goldstein*

President of Company

Bruce H. Greenfield*†

President, Bankers Securities Corp.—Hotels, real estate and retailing

George H. Johnson, Jr.

President, Albert M. Greenfield & Co.—real estate and insurance

Louis G. Melchior*

Executive Vice President and Treasurer of Company

Isidore Newman, II*

Retired—Former President of Company, Chairman of Maison Blanche Division

Robert I. Sonfield

Vice President of Company and President, Maison Blanche Division

(A) William F. Thompson*†

Senior Vice President, First National Bank of Boston

William C. Warren*

Dean Emeritus and Kent Professor of Law, Columbia University School of Law

*Member of Executive Committee

†Member of Audit Committee

(A) Not a nominee for reelection at Annual Meeting of Stockholders, May 28, 1975. To be replaced by Willard M. Bright, Director of numerous companies.

OFFICERS

Gustave G. Amsterdam

Chairman of the Board

Morris Goldstein

President

Louis G. Melchior

Executive Vice President and Treasurer

Clifford D. Hoehne

Vice President

A. Alfred Landisi

Senior Vice President

Herbert A. Leeds

Vice President

Robert I. Sonfield

Vice President

Irving J. Zipin

Secretary and General Counsel

A. Albert Assa

Corporate Controller and Assistant Treasurer

City Stores Company

Corporation Office:

500 Fifth Avenue
New York, N.Y. 10036

**Annual Meeting of
Stockholders**

Wednesday, May 28, 1975
11:00 A.M. (E.D.S.T.)
Biltmore Hotel, Madison
Avenue at 43rd Street
New York, New York
Biltmore Suite

Corporate Data

Transfer Agents

The Chase Manhattan
Bank, One Chase
Manhattan Plaza
New York, N.Y. 10015

First Pennsylvania
Bank
16th & Market Sts.
Philadelphia, Pa. 19101

Registrar

Chemical Bank
20 Pine Street
New York, N.Y. 10015

Independent Accountants

S. D. Leidesdorf & Co.
100 East 42nd Street
New York, N.Y. 10017

FORM 10-K REPORT

Copies of the Company's Form 10-K Annual Report to the Securities and Exchange Commission for the year ended February 1, 1975 may be obtained, without charge, upon written request to IRVING J. ZIPIN, Secretary, at the Company's office.

R.H. WHITE'S

Richards

FRANKLIN  SIMON



COMPASS



LIT BROTHERS

L

Lowenstein's

maison blanche

Hearn's

*L*OVEMAN'S